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13 **UNITED STATES DISTRICT COURT**
14 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**

15 DODOCASE VR, INC.,

16 Plaintiff,

17 v.

18 MERCHSOURCE, LLC, et al.,

19 Defendants.

Case No. 3:17-cv-07088-EDL

**PLAINTIFF'S REPLY TO
DEFENDANTS' STATUS REPORT**

20
21 Defendant claims now, after a month of unsuccessful efforts to prepare a joint status report,
22 that DODOCASE lacks standing to pursue any patent claim and may lack standing to maintain
23 any claim, specifically including for breach of the MLA. On November 6, 2018, Plaintiff proposed
24 a Joint Status Report substituting DDC for DODOCASE in light of the transfer of the rights in
25 each of the Patents-in-Suit, (ECF 93-1, ¶ a), and causes of action, (ECF 93-1, ¶ d), to DDC. That
26 same day, Defendants provided a revised version requiring the added language: "It is unknown to
27 MerchSource what rights were transferred from DODOCASE to DDC and how that transfer affects
28

1 MerchSource in the present in the action. It may be necessary for both DODOCASE and DDC to
2 remain parties in the action.” Defendants further revised the report to request leave to take “limited
3 discovery” including, “the corporate structure, principals and ownership of DDC ... and whether
4 DDC is sufficiently funded to assume ***DODOCASE’s potential liability to MerchSource in this***
5 ***action.***” (Emphasis added).

6 On November 7th, Plaintiff provided a revised version that addressed unnecessary and
7 misleading argument in Defendants’ proposal and, based on Defendants’ position regarding the
8 need to retain DODOCASE in this action, Plaintiff agreed to simply add DDC rather than seek full
9 substitution. That same day, Defendants provided another revised version that continued to seek
10 voluminous discovery, attempted to disparage DODOCASE and DDC, and claimed that discovery
11 was needed because: “MerchSource’s investigation will inform MerchSource’s budget and
12 litigation strategy for the PTAB proceedings, the Federal Circuit appeal and the present action.
13 Moreover, it is highly unlikely that the parties could engage in meaningful settlement discussions
14 absent discovery from DDC.” Defendants added: “MerchSource understands that its request for
15 discovery from DDC is unilateral discovery. Should the Court determine that bilateral discovery
16 between DDC and MerchSource is more appropriate, MerchSource would be agreeable to such an
17 arrangement.”

18 On November 8th, Plaintiff proposed that the parties either engage in such bi-lateral
19 discovery, with Plaintiff receiving sales information so that it may better determine the extent of
20 damages and potential for settlement. Defendants responded on November 14th by refusing the
21 offer for bi-lateral exchange and proposing another joint status report with new arguments for the
22 requested discovery. Specifically, Defendants’ new proposal claimed that the requested discovery
23 was necessary to ascertain defenses under Rule 12(b)(2)-(5) (lack of personal jurisdiction,
24 improper venue, insufficient process, and insufficient service of process respectively). Defendants
25 then proposed: “If the Court is inclined to permit [Plaintiff] to file some sort of
26 supplemental/amended pleading while the case is stayed, then MerchSource requests the Court
27 also Order either that: [Plaintiff] contemporaneously produce all contracts ... relating to the alleged
28 transfer of rights ...; or MerchSource not be required to answer ... or otherwise respond ... until

1 twenty-one (21) days after a stay of this action has been lifted and [Plaintiffs] have produced the
2 documents....” (Emphasis added). Notably, Plaintiff did not, and does not, desire to amend the
3 pleadings before the stay is lifted – Plaintiff proposes that the parties take the least amount of
4 action in this proceeding while it is stayed pending resolution of the Federal Circuit and PTAB
5 proceedings. On November 15th, Plaintiff proposed a non-argumentative joint status report that
6 satisfied the goals of all parties. Defendants rejected that proposal – demanding unilateral
7 production of documents despite their own proposal to this Court that would delay production until
8 after the stay is lifted.

9 After several further emails and proposals, on November 20th, Plaintiff proposed as
10 follows:

11 On November 7th, you appeared amenable to “production of sales
12 information” of MerchSource in exchange for “unredacted versions of all
documents relating to the transfer of rights.”

13 Since that time, you have further confirmed that the only potential, eventual
14 relevance of the information you seek is for the purposes of confirming standing,
venue, and jurisdiction and to ascertain “whether additional defenses may exist,
15 particularly those required by Fed. R. Civ. P. 12(b)(2)-(5).” As previously stated,
Defendants (like all defendants faced with answering a complaint) are not entitled
16 to any discovery at this stage. You have also rejected Plaintiff’s proposal to provide
necessary information when an amended complaint is required to be filed – which
would afford Defendants ample opportunity to prepare an answer.

17 Accordingly, in order to end the incessant back-and-forth regarding the
18 Joint Status Report, Plaintiff proposes as follows:

- 19 1. Defendants produce their sales information;
- 20 2. Plaintiff produces the Patent Purchase Agreement, redacted so as to
satisfy the purposes advanced by Defendants and protect sensitive information;
- 21 3. The productions occur simultaneously at an agreed-upon date/time;
- 22 4. The productions will be designated as “Highly Confidential –
Attorneys’ Eyes Only”; and
- 23 5. The Parties will file a non-argumentative Joint Status Report that
advises the Court of the transfer of rights from DODOCASE to DDC.

24 If this is acceptable, we can move forward with the process of exchange.

25 In response, Defendants stated unequivocally:

26 Moreover, Dodocase’s alleged “compromise” offer involves providing only
27 a redacted version of relevant documents. There is no justification for redacting
Attorney’s Eyes Only documents—the protective order provides ample protection
28 for sensitive business information and does not permit redaction of documents
produced AEO. The result of such improper redaction would be that even counsel
would not have a full picture of the agreement between Dodocase and DDC.
Dodocase’s proposal is unacceptable.

1 (Emphasis added). Thus, it is clear that Defendants had no intention of accepting any redaction,
2 regardless of the extent of redaction – Defendants wanted the financial terms of the transfer
3 document to obtain leverage against Plaintiff in future negotiations of settlement. In light of
4 Defendants’ most recent position set forth in its filing, (ECF 94), that Plaintiff “should simply
5 produce [the redacted version] – and then MerchSource can respond or question it”, Plaintiff
6 produced a redacted version to Defendants’ counsel today (the redactions covering only financial
7 information irrelevant to Defendants’ stated need for the agreement). Plaintiff is also prepared to
8 provide an unredacted version (with the redacted portions highlighted) to the Court for *in camera*
9 inspection.

10 The redacted version confirms that DDC has all right and interest in the Patents-in-Suit and
11 the MLA cause of action against Defendants. In other words, DDC fully stepped into the shoes of
12 DODOCASE – nothing has changed with respect to jurisdiction or venue, the propriety of which
13 is set forth in the MLA. And, defenses waived by Defendants’ failure to raise them before
14 answering the original complaint, must remain waived. As for the standing of DODOCASE,
15 Defendants’ own demands for alleged fees under the MLA against DODOCASE prompted
16 Plaintiff to propose retaining DODOCASE in this matter. Plaintiff is also prepared to address, off-
17 the record, additional provisions in the “Highly Confidential – Attorneys’ Eyes Only” agreement
18 that may impact the issue of standing regarding DODOCASE.

19 There is no legitimate dispute regarding the propriety of adding DDC to this action – the
20 only question is timing. Regarding DODOCASE, efficiency would suggest the retention of
21 DODOCASE in this action – as Defendants demanded previously – though Plaintiff is content
22 with any ruling of this Court. Ironically, in counsels’ previous experience, Defendants usually fight
23 to retain the assignor (i.e., DODOCASE) to ensure complete relief in a single action per FRCP 19.

24 As stated previously, Plaintiff simply requests that any further action be limited to reduce
25 the continuing burden on Plaintiff while this case is completely stayed per this Court’s Order –
26 Plaintiff proposes a telephonic conference to benefit the Court.

1 Dated: December 4, 2018

2 Respectfully submitted,

3 /s/ Timothy J. Haller

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